WHAT UNIONS SHOULD KNOW ABOUT HMOs

U.S. Department of Health and Human Services
Public Health Service; Office of HMOs

HMOs and Unions: A Common Purpose

The guiding principle behind both unions and HMOs is the same—they exist to serve their members.

People generally join a union because labor leaders have negotiated for a wide range of benefits: better wages, greater job security, fuller representation, and improved health and pension programs, to name a few.

HMO membership is based on a similar concept. For a prepaid monthly fee, people voluntarily join an HMO. In return, it arranges for all their health care services. No matter how often the member or his family uses the plan, the monthly fee is the same, and if there are out-of-pocket costs, these are very low.

As a result, a member may have lower overall health care expenses as well as easier access to medical services than persons using the traditional system of health insurance and fee-for-service medical care.

What's more, HMO membership provides representation in much the same way as union membership. Federally qualified HMOs are required to have consumer members on their boards. Further, HMOs are required to have grievance procedures through which members' complaints can be heard and remedied. As with unions, strict federal and state requirements help to assure that they live up to their promises.

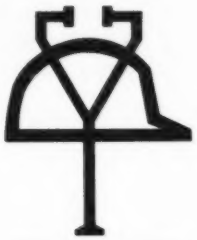
Just as there are several ways in which unions can organize, so are there different organizational patterns for HMOs. Labor supports group practice-type plans in particular. In these plans all services (office visits, x-ray, laboratory tests, health education) except hospital care are provided under one roof. Labor believes this kind of plan allows for more efficient and cost-effective care and provides greater accountability.

The second type is a network of fee-for-service physicians who practice alone or in a group and

provide services to members from their private offices. This arrangement is called an individual practice association or IPA. More than half of all HMOs take this form, which enables many persons to join without changing physicians.

About half the HMOs in the country are federally qualified. That means they have met certain standards and as a result received government approval. The law requires certain employers to offer such HMOs.

Others may have chosen not to seek federal qualification but this does not mean that they do not have high standards of care. Nearly every state has established its own requirements which HMOs must meet.



The Tradition of Union Support for HMOs

The American labor movement historically has been a champion of HMOs. In the early years when prepaid medical care was hardly more than an idea waiting its time, its strongest and sometimes only proponents were trade unions. Today, nearly every state and most urban areas have at least one HMO. Some cities, such as Minneapolis, Detroit, Chicago, and Los Angeles, have several. Prepaid plans around the country serve approximately 10 million people.

In some areas of the country the tradition of labor support for HMOs goes back nearly 40 years. United Auto Workers members first enrolled in an HMO—the Permanente Health Plan in Richmond, California—in 1946. The plan was a forerunner of the Kaiser-Permanente Health Care Plans, the nation's largest prepaid medical care system. The Transit Employees' union has offered the HMO option to thousands of employees in Washington, D.C., since 1959.

Organized labor has been directly involved in the development and promotion of plans in several locations, including Providence, Rhode Island; New Haven, Connecticut; Detroit, Michigan; Kansas City, Missouri; and Cleveland, Ohio.

When the AFL and CIO merged in 1955, the organization endorsed prepaid group practice plans and has continued to do so at every convention since the merger. National labor leaders regard HMOs as the most cost-effective way of providing high quality health care to union members and their families as well as other members of the community. The late AFL-CIO President George Meany called prepaid plans "the best buy for the medical care dollar."

Current AFL-CIO President Lane Kirkland has also endorsed HMOs, saying that they "provide preventive care, physical examinations, early diagnosis and prompt treatment—in fact, virtually every kind of care needed to maintain the health of HMO members or to cure them as quickly as possible when they are ill."

UAW President Douglas Fraser said, "We in the UAW have had a long and rewarding association with nonprofit consumer-oriented group practice plans.... The evidence that [these plans] have the ability to contain costs of care while providing high quality comprehensive and coordinated services is undeniable." In recent years the United Steelworkers has negotiated HMO health benefit plans for its members at American Can Company and U.S. Steel.

But national policy favoring HMOs is meaningful only when union members and trade union families enroll in such plans and when local union leaders take an aggressive part in the development of new plans and in the promotion of existing HMOs in their communities.

If organized labor is to play a full role in the growth of the HMO system, it is essential that local leadership become knowledgeable and involved. Local presidents, business agents, and other representatives almost without exception have as their main goal the attainment of what is best for their members. High on their list of goals is the best health care program. More and more it is apparent that, for many workers, HMOs are the most suitable answer to family health care needs.

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Dual Choice: What It Means to Your Union

While labor recognizes that not all members will participate in HMOs, it wants to make it possible for those who desire to take advantage of prepaid plans to do so—giving members a "dual choice."

The critical fact is that until the local leadership knows about and acts on HMOs, union members won't have a chance to exercise that choice. With the high cost of medical care insurance cutting deep into workers' compensation, and with management seeing these costs eroding profits, it is imperative that local leaders explore alternatives to their traditional health insurance plans.

Employers of 25 or more workers are required to provide employees with an HMO option in addition to a traditional health insurance program. Under the dual choice provision of the HMO law, passed by Congress in 1973, workers who live within a reasonable distance of a federally qualified plan are to be given a chance, if they choose, to enroll in the prepaid plan. Management is required to negotiate the offering only if the prepaid plan requests to be included in the health benefits program or if the union requests the offering.

The law stipulates that where a collective bargaining relationship exists, the union has veto power over any and all HMOs that request to be offered. If the union accepts one or more HMOs, each union member then has the choice between joining the HMO or continuing with the traditional health insurance plan. If after joining the plan, some workers decide it is not for them, they can return to their former coverage during open season.

According to William Kircher, a 40-year veteran of the trade union leadership, dual choice gives workers "a voice, an alternative where their personal judgment can be made without weakening collective bargaining procedures. These have brought about the high level of health care bene-

fits that now exist, and they must be kept strong for protection of current benefits and for improvements in the future."

Four Good Reasons for Exploring the HMO Option

1. **COST.** The pressures of inflation on negotiated economic packages are so intense that local union leaders must explore every avenue to lessen those pressures. Hospital and health benefit costs are taking a big bite out of management profits. HMOs offer one avenue to reduce health care costs and give unions more leeway in negotiating benefit packages.

   They have controlled their costs and competed successfully with traditional insurers primarily because they have been able to hold down unnecessary hospitalization. Because they cover all services performed in the physician's office, many routine tests and procedures often conducted in the hospital are done in the office or clinic. The result is improved control over the use of resources.

   For example, a 1980 census of prepaid plans revealed that the yearly average number of days spent in a hospital for every 1,000 HMO enrollees was 418 compared to 725 days for people enrolled in traditional health insurance plans.

   In most areas of the country, HMO premium costs are equal to or less than the cost of traditional insurance. Further, some companies have found that the annual rate of increase for the HMO has been half that of the increase in the traditional medical plans.

   Employers are not required to contribute any more to the HMO than they do to traditional plans.

In some cases the worker has to pay extra through payroll deductions. In these cases the savings the HMO achieves by eliminating out-of-pocket costs for routine doctor's office visits, medication, and other services make up for the additional premium.

2. **QUALITY.** The quality of care varies among HMOs just as it does among clinics, hospitals, and independent physicians. But, overall, researchers at Johns Hopkins University concluded, "There is little question that HMO care is at least comparable to care in other health care facilities, if not superior."

HMO physicians on the whole are highly qualified. The majority are either board certified or board eligible in their specialty. Moreover, in the HMO setting, physicians work closely together, benefiting from ongoing review by their peers and informal consultations. Another key to high quality care is that the system allows physicians to provide the necessary level of care in the most appropriate setting without concern that it will cause the patient financial hardship.

3. **ACCOUNTABILITY.** Unions can have a direct voice in the policies and operation of the HMO through membership on its governing board. If the plan is federally qualified, at least a third of its policymaking body must be selected from its members. Many others appoint consumer members voluntarily. Unions can negotiate to have a union representative appointed or elected to the board. Another important factor in accountability is that HMOs provide grievance procedures for consumer complaints.

4. **ACCESSIBILITY.** The prepayment mechanism minimizes financial barriers to seeking health care. Additionally, HMOs provide and arrange for medical care 24-hours-a-day, every day of the year. For member convenience, many group practice plans have satellite centers in addition to their central facility, so that members can choose a center that is closest to their homes or work.

How to Evaluate an HMO Option

One way to evaluate an HMO is to compare the health benefits plan your union currently has with what the new plan offers. Ask the marketing representative to discuss cost, quality, accessibility, and accountability. Find out if the cost to join will be comparable to or less than the cost of your current plan. Are facilities near where union members live and work? What are the arrangements for around-the-clock service? Who are the doctors? What are their specialties? Are they board certified or eligible? How many physicians are available and when?

The agency regulating HMOs in your state is also a good source of information. Ask about the HMO's fiscal soundness. Today the majority of HMOs are well on their way to becoming self-sustaining. Only eight percent of the federally qualified plans have ceased operations, generally as the result of management practices that do not meet the challenge of initial operating difficulties.

Check to see what provisions are made for members should the HMO close. In the past when a prepaid plan has ceased operation, members have

been able to transfer to another prepaid plan or to the employer's indemnity plan. They have not gone without health care coverage.

Talk with other area union leaders who have had experience with the HMO, and see what they think about it. Become involved with the HMO's board and find out firsthand the plan's policies and status. Finally, contact your union's national headquarters to see if it has prepared materials on HMOs.

Guidelines for Promoting HMOs to Union Members

- Describe the HMO option you have selected in your union's newsletter or other union publications.
- Provide a forum for your members to hear about the HMO. Invite the plan's marketing director to speak to your members.
- Encourage management to allow the plan to market during working hours.
- As a union leader, become involved as a board member of a new or existing HMO. Get involved in the development of a new plan. This gives you a voice in shaping the HMO's policies and procedures.
- Become an HMO member yourself. This is probably the best way a local leader can endorse an offering.

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Other Sources of Information

Office of Health Maintenance Organizations
U.S. Department of Health and Human Services
12420 Parklawn Drive
Park Building, 3rd Floor
Rockville, MD 20857

Social Security Department
AFL-CIO
815 Sixteenth Street, N.W.
Washington, D.C. 20006

International Union,
United Auto Workers
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Communication and Information Department
Group Health Association of America, Inc.
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HMO

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